

B1 (Official Form 1)(4/10)

United States Bankruptcy Court District of South Carolina				Voluntary Petition	
Name of Debtor (if individual, enter Last, First, Middle): The Merit Group, Inc.			Name of Joint Debtor (Spouse) (Last, First, Middle):		
All Other Names used by the Debtor in the last 8 years (include married, maiden, and trade names): FKA Lancaster Distributing Company; FKA Lancaster Paint Sundries, Inc.			All Other Names used by the Joint Debtor in the last 8 years (include married, maiden, and trade names):		
Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN) No./Complete EIN (if more than one, state all) 57-0654224			Last four digits of Soc. Sec. or Individual-Taxpayer I.D. (ITIN) No./Complete EIN (if more than one, state all)		
Street Address of Debtor (No. and Street, City, and State): 1310 Union Street Spartanburg, SC <div style="text-align: right; margin-top: 5px;">ZIP Code 29302</div>			Street Address of Joint Debtor (No. and Street, City, and State): <div style="text-align: right; margin-top: 5px;">ZIP Code</div>		
County of Residence or of the Principal Place of Business: Spartanburg			County of Residence or of the Principal Place of Business:		
Mailing Address of Debtor (if different from street address): <div style="text-align: right; margin-top: 5px;">ZIP Code</div>			Mailing Address of Joint Debtor (if different from street address): <div style="text-align: right; margin-top: 5px;">ZIP Code</div>		
Location of Principal Assets of Business Debtor (if different from street address above):					
Type of Debtor (Form of Organization) (Check one box) <input type="checkbox"/> Individual (includes Joint Debtors) <i>See Exhibit D on page 2 of this form.</i> <input checked="" type="checkbox"/> Corporation (includes LLC and LLP) <input type="checkbox"/> Partnership <input type="checkbox"/> Other (If debtor is not one of the above entities, check this box and state type of entity below.)		Nature of Business (Check one box) <input type="checkbox"/> Health Care Business <input type="checkbox"/> Single Asset Real Estate as defined in 11 U.S.C. § 101 (51B) <input type="checkbox"/> Railroad <input type="checkbox"/> Stockbroker <input type="checkbox"/> Commodity Broker <input type="checkbox"/> Clearing Bank <input checked="" type="checkbox"/> Other Tax-Exempt Entity (Check box, if applicable) <input type="checkbox"/> Debtor is a tax-exempt organization under Title 26 of the United States Code (the Internal Revenue Code).		Chapter of Bankruptcy Code Under Which the Petition is Filed (Check one box) <input type="checkbox"/> Chapter 7 <input type="checkbox"/> Chapter 9 <input checked="" type="checkbox"/> Chapter 11 <input type="checkbox"/> Chapter 12 <input type="checkbox"/> Chapter 13 <input type="checkbox"/> Chapter 15 Petition for Recognition of a Foreign Main Proceeding <input type="checkbox"/> Chapter 15 Petition for Recognition of a Foreign Nonmain Proceeding Nature of Debts (Check one box) <input type="checkbox"/> Debts are primarily consumer debts, defined in 11 U.S.C. § 101(8) as "incurred by an individual primarily for a personal, family, or household purpose." <input checked="" type="checkbox"/> Debts are primarily business debts.	
Filing Fee (Check one box) <input checked="" type="checkbox"/> Full Filing Fee attached <input type="checkbox"/> Filing Fee to be paid in installments (applicable to individuals only). Must attach signed application for the court's consideration certifying that the debtor is unable to pay fee except in installments. Rule 1006(b). See Official Form 3A. <input type="checkbox"/> Filing Fee waiver requested (applicable to chapter 7 individuals only). Must attach signed application for the court's consideration. See Official Form 3B.		Chapter 11 Debtors Check one box: <input type="checkbox"/> Debtor is a small business debtor as defined in 11 U.S.C. § 101(51D). <input checked="" type="checkbox"/> Debtor is not a small business debtor as defined in 11 U.S.C. § 101(51D). Check if: <input type="checkbox"/> Debtor's aggregate noncontingent liquidated debts (excluding debts owed to insiders or affiliates) are less than \$2,343,300 (amount subject to adjustment on 4/01/13 and every three years thereafter). Check all applicable boxes: <input type="checkbox"/> A plan is being filed with this petition. <input type="checkbox"/> Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b).			
Statistical/Administrative Information <input checked="" type="checkbox"/> Debtor estimates that funds will be available for distribution to unsecured creditors. <input type="checkbox"/> Debtor estimates that, after any exempt property is excluded and administrative expenses paid, there will be no funds available for distribution to unsecured creditors.					THIS SPACE IS FOR COURT USE ONLY
Estimated Number of Creditors <div style="display: flex; justify-content: space-between;"> <input checked="" type="checkbox"/> 1-49 <input type="checkbox"/> 50-99 <input type="checkbox"/> 100-199 <input type="checkbox"/> 200-999 <input type="checkbox"/> 1,000-5,000 <input type="checkbox"/> 5,001-10,000 <input type="checkbox"/> 10,001-25,000 <input type="checkbox"/> 25,001-50,000 <input type="checkbox"/> 50,001-100,000 <input type="checkbox"/> OVER 100,000 </div>					
Estimated Assets <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> \$0 to \$50,000 <input type="checkbox"/> \$50,001 to \$100,000 <input type="checkbox"/> \$100,001 to \$500,000 <input type="checkbox"/> \$500,001 to \$1 million <input checked="" type="checkbox"/> \$1,000,001 to \$10 million <input type="checkbox"/> \$10,000,001 to \$50 million <input type="checkbox"/> \$50,000,001 to \$100 million <input type="checkbox"/> \$100,000,001 to \$500 million <input type="checkbox"/> \$500,000,001 to \$1 billion <input type="checkbox"/> More than \$1 billion </div>					
Estimated Liabilities <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> \$0 to \$50,000 <input type="checkbox"/> \$50,001 to \$100,000 <input type="checkbox"/> \$100,001 to \$500,000 <input type="checkbox"/> \$500,001 to \$1 million <input type="checkbox"/> \$1,000,001 to \$10 million <input type="checkbox"/> \$10,000,001 to \$50 million <input checked="" type="checkbox"/> \$50,000,001 to \$100 million <input type="checkbox"/> \$100,000,001 to \$500 million <input type="checkbox"/> \$500,000,001 to \$1 billion <input type="checkbox"/> More than \$1 billion </div>					

B1 (Official Form 1)(4/10)

Page 2

Voluntary Petition <i>(This page must be completed and filed in every case)</i>		Name of Debtor(s): The Merit Group, Inc.	
All Prior Bankruptcy Cases Filed Within Last 8 Years (If more than two, attach additional sheet)			
Location Where Filed: - None -	Case Number:	Date Filed:	
Location Where Filed:	Case Number:	Date Filed:	
Pending Bankruptcy Case Filed by any Spouse, Partner, or Affiliate of this Debtor (If more than one, attach additional sheet)			
Name of Debtor: - None -	Case Number:	Date Filed:	
District:	Relationship:	Judge:	
Exhibit A (To be completed if debtor is required to file periodic reports (e.g., forms 10K and 10Q) with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 and is requesting relief under chapter 11.) <input type="checkbox"/> Exhibit A is attached and made a part of this petition.		Exhibit B (To be completed if debtor is an individual whose debts are primarily consumer debts.) I, the attorney for the petitioner named in the foregoing petition, declare that I have informed the petitioner that [he or she] may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, and have explained the relief available under each such chapter. I further certify that I delivered to the debtor the notice required by 11 U.S.C. §342(b). X _____ Signature of Attorney for Debtor(s) (Date)	
Exhibit C Does the debtor own or have possession of any property that poses or is alleged to pose a threat of imminent and identifiable harm to public health or safety? <input type="checkbox"/> Yes, and Exhibit C is attached and made a part of this petition. <input checked="" type="checkbox"/> No.			
Exhibit D (To be completed by every individual debtor. If a joint petition is filed, each spouse must complete and attach a separate Exhibit D.) <input type="checkbox"/> Exhibit D completed and signed by the debtor is attached and made a part of this petition. If this is a joint petition: <input type="checkbox"/> Exhibit D also completed and signed by the joint debtor is attached and made a part of this petition.			
Information Regarding the Debtor - Venue (Check any applicable box)			
<input checked="" type="checkbox"/> Debtor has been domiciled or has had a residence, principal place of business, or principal assets in this District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District.			
<input type="checkbox"/> There is a bankruptcy case concerning debtor's affiliate, general partner, or partnership pending in this District.			
<input type="checkbox"/> Debtor is a debtor in a foreign proceeding and has its principal place of business or principal assets in the United States in this District, or has no principal place of business or assets in the United States but is a defendant in an action or proceeding [in a federal or state court] in this District, or the interests of the parties will be served in regard to the relief sought in this District.			
Certification by a Debtor Who Resides as a Tenant of Residential Property (Check all applicable boxes)			
<input type="checkbox"/> Landlord has a judgment against the debtor for possession of debtor's residence. (If box checked, complete the following.) <div style="margin-left: 40px;"> _____ (Name of landlord that obtained judgment) </div> <div style="margin-left: 40px;"> _____ (Address of landlord) </div>			
<input type="checkbox"/> Debtor claims that under applicable nonbankruptcy law, there are circumstances under which the debtor would be permitted to cure the entire monetary default that gave rise to the judgment for possession, after the judgment for possession was entered, and			
<input type="checkbox"/> Debtor has included in this petition the deposit with the court of any rent that would become due during the 30-day period after the filing of the petition.			
<input type="checkbox"/> Debtor certifies that he/she has served the Landlord with this certification. (11 U.S.C. § 362(l)).			

Voluntary Petition

(This page must be completed and filed in every case)

Name of Debtor(s):
The Merit Group, Inc.

Signatures

Signature(s) of Debtor(s) (Individual/Joint)

I declare under penalty of perjury that the information provided in this petition is true and correct.
[If petitioner is an individual whose debts are primarily consumer debts and has chosen to file under chapter 7] I am aware that I may proceed under chapter 7, 11, 12, or 13 of title 11, United States Code, understand the relief available under each such chapter, and choose to proceed under chapter 7.
[If no attorney represents me and no bankruptcy petition preparer signs the petition] I have obtained and read the notice required by 11 U.S.C. §342(b).

I request relief in accordance with the chapter of title 11, United States Code, specified in this petition.

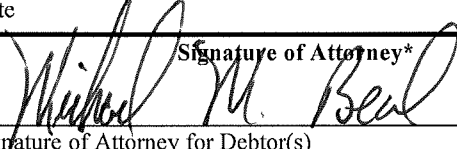
X _____
Signature of Debtor

X _____
Signature of Joint Debtor

Telephone Number (If not represented by attorney)

Date

Signature of Attorney*

X 
Signature of Attorney for Debtor(s)

Michael M. Beal
Printed Name of Attorney for Debtor(s)
McNair Law Firm, P.A.
Firm Name
P.O. Box 11390
Columbia, SC 29211

Address

Email: mbeal@mcnair.net
803-799-9800 Fax: 803-753-3278
Telephone Number

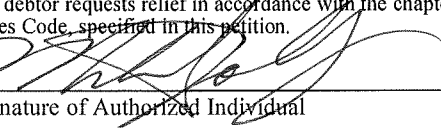
May 16, 2011
Date

*In a case in which § 707(b)(4)(D) applies, this signature also constitutes a certification that the attorney has no knowledge after an inquiry that the information in the schedules is incorrect.

Signature of Debtor (Corporation/Partnership)

I declare under penalty of perjury that the information provided in this petition is true and correct, and that I have been authorized to file this petition on behalf of the debtor.

The debtor requests relief in accordance with the chapter of title 11, United States Code, specified in this petition.

X 
Signature of Authorized Individual

Mitchell T. Jolley
Printed Name of Authorized Individual
Chief Executive Officer/President

Title of Authorized Individual

5/16/11
Date

Signature of a Foreign Representative

I declare under penalty of perjury that the information provided in this petition is true and correct, that I am the foreign representative of a debtor in a foreign proceeding, and that I am authorized to file this petition.

(Check only one box.)

☐ I request relief in accordance with chapter 15 of title 11, United States Code. Certified copies of the documents required by 11 U.S.C. §1515 are attached.

☐ Pursuant to 11 U.S.C. §1511, I request relief in accordance with the chapter of title 11 specified in this petition. A certified copy of the order granting recognition of the foreign main proceeding is attached.

X _____
Signature of Foreign Representative

Printed Name of Foreign Representative

Date

Signature of Non-Attorney Bankruptcy Petition Preparer

I declare under penalty of perjury that: (1) I am a bankruptcy petition preparer as defined in 11 U.S.C. § 110; (2) I prepared this document for compensation and have provided the debtor with a copy of this document and the notices and information required under 11 U.S.C. §§ 110(b), 110(h), and 342(b); and, (3) if rules or guidelines have been promulgated pursuant to 11 U.S.C. § 110(h) setting a maximum fee for services chargeable by bankruptcy petition preparers, I have given the debtor notice of the maximum amount before preparing any document for filing for a debtor or accepting any fee from the debtor, as required in that section. Official Form 19 is attached.

Printed Name and title, if any, of Bankruptcy Petition Preparer

Social-Security number (If the bankruptcy petition preparer is not an individual, state the Social Security number of the officer, principal, responsible person or partner of the bankruptcy petition preparer.) (Required by 11 U.S.C. § 110.)

Address

X _____

Date

Signature of Bankruptcy Petition Preparer or officer, principal, responsible person, or partner whose Social Security number is provided above.

Names and Social-Security numbers of all other individuals who prepared or assisted in preparing this document unless the bankruptcy petition preparer is not an individual:

If more than one person prepared this document, attach additional sheets conforming to the appropriate official form for each person.

A bankruptcy petition preparer's failure to comply with the provisions of title 11 and the Federal Rules of Bankruptcy Procedure may result in fines or imprisonment or both 11 U.S.C. §110; 18 U.S.C. §156.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re:) Chapter 11
)
The Merit Group, Inc., *et al.*,) Case No. 11 - _____
)
Debtors.¹) (Joint Administration Requested)
_____)

**CONSOLIDATED LIST OF CREDITORS
HOLDING 30 LARGEST UNSECURED CLAIMS**

The following is a list of creditors holding the thirty (30) largest unsecured claims, on a consolidated basis, against the above-captioned debtors-in-possession that commenced Chapter 11 cases in this Court on the date hereof (collectively, the "Debtors"). This list has been prepared from the unaudited books and records of the Debtors. This list reflects amounts from the Debtors' books and records as of May 14, 2011. The list is prepared in accordance with FED. R. BANKR. P. 1007(d) for filing in the Debtors' Chapter 11 cases. This list does not include (a) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101 or (b) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the thirty (30) largest unsecured claims.² The information herein shall not constitute an admission of liability by, nor is binding on, the Debtors. All claims are subject to customary offsets, rebates, discounts, reconciliations, credits and adjustments, which are not reflected on this list.

¹The Debtors and the last four digits of their respective tax identification numbers are: The Merit Group, Inc., f/k/a Lancaster Distributing Company, f/k/a Lancaster Paint Sundries, Inc. (4224); Merit Transportation, Inc. (9048); Merit Paint Sundries, LLC d/b/a Lancaster (8882); Merit Supply Company, LLC d/b/a Merit Supply (5878); Merit Pro Finishing Tools, LLC d/b/a Merit Trade Source (8544); Five Star Products, Inc. (9186); and Five Star Group, Inc., d/b/a Lancaster/Five Star, d/b/a Rightway (3506).

² Specifically, and without limitation, the following list of creditors excludes the unliquidated claim held by Stonehenge Opportunity Resource Fund II, LP, one of the Debtors' prepetition lenders, which is estimated to have a claim against the Debtors in the approximate amount of \$12 million.

In re Merit Group, Inc. *et al.*, Debtors Consolidated List of Creditors Holding 30 Largest Unsecured Claims

Names of Creditor and Complete Mailing Address, Including Zip Code	Name, Telephone Number and Complete Mailing Address, including Zip Code of Employee, Agent or Department of Creditor Familiar with Claims Who May be Contacted	Nature of Claim (e.g., Trade Debt, Bank, Loan, Government Contract)	Indicate if claim is Contingent, Unliquidated, Disputed or Subject to Set-Off	Estimated Amount of Claim as of May 14, 2011
Rust Oleum Corporation P.O. Box 931946 Cleveland, OH 44193	Rust Oleum Corporation CUS SERACCT 110927 P.O. Box 931946 Cleveland, OH 44193 800-323-3584	Trade	Unliquidated	\$3,224,914.41
DAP National City Bank P.O. Box 951252 Cleveland, OH 44193	DAP National City Bank Customer Service P.O. Box 951252 Cleveland, OH 44193 800-327-3339	Trade	Unliquidated	\$2,289,758.74
MINWAX P.O. Box 198042 Atlanta, GA 30384	MINWAX Customer Service -2 P.O. Box 198042 Atlanta, GA 30384 800-526-0495	Trade	Unliquidated	\$1,874,836.82

Names of Creditor and Complete Mailing Address, Including Zip Code	Name, Telephone Number and Complete Mailing Address, including Zip Code of Employee, Agent or Department of Creditor Familiar with Claims Who May be Contacted	Nature of Claim (e.g., Trade Debt, Bank, Loan, Government Contract)	Indicate if claim is Contingent, Unliquidated, Disputed or Subject to Set-Off	Estimated Amount of Claim as of May 14, 2011
Wooster 604 Madison Avenue P.O. Box 6010 Wooster, OH 44691	Wooster 604 Madison Avenue P.O. Box 6010 Wooster, OH 44691 330-264-4440	Trade	Unliquidated	\$1,378,589.42
3M MST6980(WC) PO Box 200715 Dallas, TX 75320	3M MST6980(WC) Customer Service PO Box 200715 Dallas, TX 75320 800-328-5949	Trade	Unliquidated	\$1,242,917.69
Masterchem Industries Inc. P.O. Box 932526 Atlanta, GA 31193	Masterchem Industries Inc. Customer Service P.O. Box 932526 Atlanta, GA 31193 800-325-3552	Trade	Unliquidated	\$1,207,636.42

Names of Creditor and Complete Mailing Address, Including Zip Code	Name, Telephone Number and Complete Mailing Address, including Zip Code of Employee, Agent or Department of Creditor Familiar with Claims Who May be Contacted	Nature of Claim (e.g., Trade Debt, Bank, Loan, Government Contract)	Indicate if claim is Contingent, Unliquidated, Disputed or Subject to Set-Off	Estimated Amount of Claim as of May 14, 2011
Duckback Acquisition Corp. DEPT. 33533 P.O. Box 39000 San Francisco, CA 94139	Duckback Acquisition Corp. DEPT. 33533 P.O. Box 39000 San Francisco, CA 94139	Trade	Unliquidated	\$1,181,485.26
Tianjin Jinmao Group Co Ltd Wangzhuang Industrial Park Beichen District Tianjin Tianjin, CN 300400	Tianjin Jinmao Group Co Ltd Wangzhuang Industrial Park Beichen District Tianjin Tianjin, CN 300400	Trade	Unliquidated	\$887,821.20
Packing Service Co. P. O. Box 671530 Dallas, TX 75267	Packing Service Co. Nicole X 279 P. O. Box 671530 Dallas, TX 75267 281-485-1457	Trade	Unliquidated	\$783,176.65

Names of Creditor and Complete Mailing Address, Including Zip Code	Name, Telephone Number and Complete Mailing Address, including Zip Code of Employee, Agent or Department of Creditor Familiar with Claims Who May be Contacted	Nature of Claim (e.g., Trade Debt, Bank, Loan, Government Contract)	Indicate if claim is Contingent, Unliquidated, Disputed or Subject to Set-Off	Estimated Amount of Claim as of May 14, 2011
Old Masters 303 19th Street SE P.O. Box 286 Orange City, IA 51041	Old Masters CS – Jodi Sorensen 303 19th Street SE P.O. Box 286 Orange City, IA 51041 800-747-3436	Trade	Unliquidated	\$729,210.64
Craig Fletcher 1 Lost Valley Court Heath, TX 75032	Craig Fletcher 1 Lost Valley Court Heath, TX 75032	Other	Unliquidated	\$700,000.00
Dennis Fletcher 28822 Saddle Oak Montgomery, TX 77356	Dennis Fletcher 28822 Saddle Oak Montgomery, TX 77356 832-685-7206	Other	Unliquidated	\$700,000.00

Names of Creditor and Complete Mailing Address, Including Zip Code	Name, Telephone Number and Complete Mailing Address, including Zip Code of Employee, Agent or Department of Creditor Familiar with Claims Who May be Contacted	Nature of Claim (e.g., Trade Debt, Bank, Loan, Government Contract)	Indicate if claim is Contingent, Unliquidated, Disputed or Subject to Set-Off	Estimated Amount of Claim as of May 14, 2011
Richard Sauve 243 Riddell Lane Alameda, CA 94502	Richard Sauve 243 Riddell Lane Alameda, CA 94502 510-865-0227	Other	Unliquidated	\$600,000.00
Primrose Plastics PO Box 32174 Hartford, CT 06150	Primrose Plastics Mary Kuhn PO Box 32174 Hartford, CT 06150 866-656-0236	Trade	Unliquidated	\$526,076.93
WM BARR DEPT 1855 PO Box 2153 Birmingham, AL 35287	WM BARR Mikki Cline CSERV DEPT 1855 PO Box 2153 Birmingham, AL 35287 800-782-9930	Trade	Unliquidated	\$496,465.08

Names of Creditor and Complete Mailing Address, Including Zip Code	Name, Telephone Number and Complete Mailing Address, including Zip Code of Employee, Agent or Department of Creditor Familiar with Claims Who May be Contacted	Nature of Claim (e.g., Trade Debt, Bank, Loan, Government Contract)	Indicate if claim is Contingent, Unliquidated, Disputed or Subject to Set-Off	Estimated Amount of Claim as of May 14, 2011
Penofin Performance Coating Inc. P.O. Box 1569 Ukiah, CA 95482	Penofin Performance Coating Inc. P.O. Box 1569 Ukiah, CA 95482 707-462-3023	Trade	Unliquidated	\$493,898.68
Intertape Polymer Corp. PO Box 67000 Detroit, MI 48267	Intertape Polymer Corp. Customer Service PO Box 67000 Detroit, MI 48267 800-474-8273	Trade	Unliquidated	\$450,697.05
Purdy Corporation P.O. Box 403593 Atlanta, GA 30384	Purdy Corporation Jennifer P.O. Box 403593 Atlanta, GA 30384 503-2868217	Trade	Unliquidated	\$427,756.33

Names of Creditor and Complete Mailing Address, Including Zip Code	Name, Telephone Number and Complete Mailing Address, including Zip Code of Employee, Agent or Department of Creditor Familiar with Claims Who May be Contacted	Nature of Claim (e.g., Trade Debt, Bank, Loan, Government Contract)	Indicate if claim is Contingent, Unliquidated, Disputed or Subject to Set-Off	Estimated Amount of Claim as of May 14, 2011
Modern Masters P.O. Box 92245 Cleveland, OH 44193	Modern Masters P.O. Box 92245 Cleveland, OH 44193 1-800-942-3166	Trade	Unliquidated	\$420,031.99
Ace Oldfields Jl. Raya Cileungsi Jonggol KM 22.5 Cileungsi Bogor West, WJ 16100	Ace Oldfields Jl. Raya Cileungsi Jonggol KM 22.5 Cileungsi Bogor West, WJ 16100 62-21 6408765	Trade	Unliquidated	\$414,555.15
Sashco 10300 E. 107 th Place Brighton, CO 80601	Sashco 10300 E. 107 th Place Brighton, CO 80601 303-286-7271	Trade	Unliquidated	\$413,362.67

Names of Creditor and Complete Mailing Address, Including Zip Code	Name, Telephone Number and Complete Mailing Address, including Zip Code of Employee, Agent or Department of Creditor Familiar with Claims Who May be Contacted	Nature of Claim (e.g., Trade Debt, Bank, Loan, Government Contract)	Indicate if claim is Contingent, Unliquidated, Disputed or Subject to Set-Off	Estimated Amount of Claim as of May 14, 2011
Unigroup Worldwide 22524 Network Place Chicago, IL 60673	Unigroup Worldwide 22524 Network Place Chicago, IL 60673 704423-9994	Trade	Unliquidated	\$390,693.53
Henkel Corp Consumer Adhesives 15805 Collections Center Drive Chicago, IL 60693	Henkel Corp Consumer Adhesives Main Office 15805 Collections Center Drive Chicago, IL 60693 800-624-7767	Trade	Unliquidated	\$377,982.34
Homax Dept. 2070 Denver, CO 80291	Homax Michelle - CSR Dept. 2070 Denver, CO 80291 800-729-9029	Trade	Unliquidated	\$332,997.09

Names of Creditor and Complete Mailing Address, Including Zip Code	Name, Telephone Number and Complete Mailing Address, including Zip Code of Employee, Agent or Department of Creditor Familiar with Claims Who May be Contacted	Nature of Claim (e.g., Trade Debt, Bank, Loan, Government Contract)	Indicate if claim is Contingent, Unliquidated, Disputed or Subject to Set-Off	Estimated Amount of Claim as of May 14, 2011
Milazzo Industries 1609 River Road Pittston, PA 18640	Milazzo Industries 1609 River Road Pittston, PA 18640 570-654-2433	Trade	Unliquidated	\$331,355.08
Val-Test Sundries 2400 Hassell Road, Suite 370 Hoffman Estates, IL 60169	Val-Test Sundries 2400 Hassell Road, Suite 370 Hoffman Estates, IL 60169 847-285-6020	Trade	Unliquidated	\$323,373.18
Shurtape P.O. Box 100322 Atlanta, GA 30384	Shurtape Carole Huffman P.O. Box 100322 Atlanta, GA 30384 828-322-2700	Trade	Unliquidated	\$317,430.05

Names of Creditor and Complete Mailing Address, Including Zip Code	Name, Telephone Number and Complete Mailing Address, including Zip Code of Employee, Agent or Department of Creditor Familiar with Claims Who May be Contacted	Nature of Claim (e.g., Trade Debt, Bank, Loan, Government Contract)	Indicate if claim is Contingent, Unliquidated, Disputed or Subject to Set-Off	Estimated Amount of Claim as of May 14, 2011
Shur-Line Inc. 75 Remittance Drive Suite 1167 Chicago, IL 60675	Shur-Line Inc. 75 Remittance Drive Suite 1167 Chicago, IL 60675 800-253-7856	Trade	Unliquidated	\$305,614.90
Lenox 75 Remittance Drive Suite 1167 Chicago, IL 60675	Lenox 75 Remittance Drive Suite 1167 Chicago, IL 60675 800-628-3030	Trade	Unliquidated	\$293,809.74
Gaco Western Inc. P.O. Box 9827 Seattle, WA 98109	Gaco Western Inc. Jana P.O. Box 9827 Seattle, WA 98109 206-357-2728	Trade	Unliquidated	\$281,823.48


UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re:) Chapter 11
)
The Merit Group, Inc., *et al.*,) Case No. 11 - ____
)
Debtors.¹) (Joint Administration Requested)
_____)

**DECLARATION CONCERNING THE CONSOLIDATED LIST OF CREDITORS
HOLDING LARGEST 30 UNSECURED CLAIMS**

I, the undersigned authorized officer of Merit Group, Inc ("Merit") and the other above captioned debtors named as the debtors in this case (collectively the "Debtors"), declare under penalty of perjury that I have read the foregoing consolidated list of creditors holding the thirty (30) largest unsecured claims against Merit and the other debtors, and that the list is true and correct to the best of my information and belief.

Dated: May 16th, 2011



Mitchell T. Jolley
Chief Executive Officer/President

¹The Debtors and the last four digits of their respective tax identification numbers are: The Merit Group, Inc., f/k/a Lancaster Distributing Company, f/k/a Lancaster Paint Sundries, Inc. (4224); Merit Transportation, Inc. (9048); Merit Paint Sundries, LLC d/b/a Lancaster (8882); Merit Supply Company, LLC d/b/a Merit Supply (5878); Merit Pro Finishing Tools, LLC d/b/a Merit Trade Source (8544); Five Star Products, Inc. (9186); and Five Star Group, Inc., d/b/a Lancaster/Five Star, d/b/a Rightway (3506).

UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re:) Chapter 11
)
The Merit Group, Inc., *et al.*,) Case No. 11 - ____
)
Debtors.¹) (Joint Administration Requested)
_____)

LIST OF EQUITY SECURITY HOLDERS

The following is the list of equity security holders of Debtor, Merit Group, Inc., which is prepared in accordance with Federal Rule of Bankruptcy Procedure 1007 (a)(3).

Name of equity security holder and last known address or place of business	Type of Organization	Percent Ownership Interest	Class of Shares, Kind of Interest
Caleb C. Fort 603 Hwy 56 Spartanburg, SC 29302	Individual	62.25%	Common stock
E. Fort Wolfe, Jr. 607 Hwy 56 Spartanburg, SC 29302	Individual	37.75%	Common stock

I, the authorized signatory of Merit Group, Inc., named as a Debtor in this case, declare under penalty of perjury that the foregoing List of Equity Security Holders is true and correct to the best of my information and belief.

DATE: May 16th, 2011

Respectfully submitted,

The Merit Group, Inc.

By: 

Name: Mitchell T. Jolley

Title: Chief Executive Officer/President

¹The Debtors and the last four digits of their respective tax identification numbers are: The Merit Group, Inc., f/k/a Lancaster Distributing Company, f/k/a Lancaster Paint Sundries, Inc. (4224); Merit Transportation, Inc. (9048); Merit Paint Sundries, LLC d/b/a Lancaster (8882); Merit Supply Company, LLC d/b/a Merit Supply (5878); Merit Pro Finishing Tools, LLC d/b/a Merit Trade Source (8544); Five Star Products, Inc. (9186); and Five Star Group, Inc., d/b/a Lancaster/Five Star, d/b/a Rightway (3506).

**MINUTES OF A SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF
THE MERIT GROUP, INC.**

A Special Meeting of the Board of Directors of The Merit Group, Inc., a Delaware corporation (the "Corporation"), was held at 1310 Union Street, Spartanburg, SC 29302 on Friday, May 13, 2011, at 9:00 a.m. (the "Meeting").

Mitchell T. Jolley, President of the Corporation, called the meeting to order at 9:00 a.m. A quorum was present in that all of the directors of the Corporation were either present in person at the meeting or participated by phone. Also attending the meeting by phone were Michael M. Beal and M. Ryan Gentry of McNair Law Firm, P.A., Jonathan C. Hickman of Alvarez & Marsal North America LLC, and James Decker of Morgan Joseph LLC. Jon Heard, the Corporation's Chief Financial Officer also attended the Meeting.

During the Meeting, the Board's discussions included the current financial status of the Corporation and its subsidiaries, the options available to the Corporation, the costs and benefits of filing voluntary petitions for relief pursuant to Chapter 11 of Title 11 of the United States Code, and the appropriate venue to file such petitions. Following full discussion and upon motions duly made and seconded, the directors unanimously adopted the following resolutions:

WHEREAS, the Corporation is the sole shareholder, member, or manager of Merit Transportation, Inc., a South Carolina corporation ("MTI"); Merit Paint Sundries, LLC, a South Carolina limited liability company ("MPS"); Merit Supply Company, LLC, a South Carolina limited liability company ("MSC"); Merit Pro Finishing Tools, LLC, a South Carolina limited liability company ("MPFT"); and Five Star Products, Inc., a Delaware corporation ("FSP");

WHEREAS, FSP is the sole shareholder of Five Star Group, Inc., a Delaware corporation ("FSG"); and

WHEREAS, the Board of Directors finds it necessary for the Corporation, MTI, MPS, MSC, MPFT, FSP, and FSG (collectively, the "Merit Group Entities"), and in the best interests of the Merit Group Entities, their creditors, shareholders, and other interested parties, to file or cause to be filed with the United States Bankruptcy Court for the District of South Carolina (the "Court") voluntary petitions for relief pursuant to Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the "Bankruptcy Code" and the "Reorganization Cases")


NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors authorizes the filing of petitions for relief under Chapter 11 of the Bankruptcy Code in the Court for the purpose of reorganizing the Merit Group Entities or effectuating a sale of the assets of the Merit Group Entities, and further authorizing any subsequently necessary or appropriate measures to prosecute such petitions and measures;

RESOLVED, FURTHER, that, in order to implement the above resolution, the Chief Executive Officer, President, or Manager of each of the Merit Group Entities is authorized and directed to execute petitions for relief under Chapter 11 of the Bankruptcy Code and such other documents necessary to commence, prosecute and conclude the Reorganization Cases, and is authorized and directed after consulting with the professionals of each respective corporation or limited liability company to determine when to file and to file such petitions to commence the Reorganization Cases; and

RESOLVED, FURTHER, that the Board approved action memorialized in the Written Consent in Lieu of a Special Meeting of the Sole Shareholder of Five Star Products, Inc. effective April 19, 2011, which resolution accepted the resignation of Jay Baker from the Board of Directors of Five Star Products, Inc. and amended the Bylaws of Five Star Products, Inc. to require that between one and fifteen individual serve on its Board of Directors.

There being no other current business, the meeting was adjourned at 10:40 a.m. with an agreement to reconvene such special meeting at the same location on Monday, May 16, 2011 at 1:00 p.m.

Respectfully submitted,



Caleb C. Fort, Secretary

**WRITTEN CONSENT IN LIEU OF A SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF
THE MERIT GROUP, INC.**

In lieu of a special meeting of the Board of Directors of The Merit Group, Inc., a South Carolina corporation (the "Corporation"), the Board of Directors of the Corporation unanimously consents to the following resolutions effective May 13, 2011.

WHEREAS, the Corporation caused Articles of Incorporation to be filed with the South Carolina Secretary of State on July 1, 1977 (the "Articles");

WHEREAS, except as otherwise set forth in filings made with the South Carolina Secretary of State on October 29, 1990, June 25, 1992, December 23, 1997, January 12, 1998, October 3, 2002, and November 14, 2006, there are no other amendments or other documents relating to or affecting the Articles and no action has been taken by the Corporation, its shareholders, directors or officers to amend the Articles;

WHEREAS, the Corporation previously adopted "Bylaws of Lancaster Paint Sundries, Inc.", a copy of which was attached to the Secretary's Certificate dated January 15, 2010 (the "Secretary's Certificate") and certified therein as being true and correct (the "Bylaws");

WHEREAS, the Bylaws have not been amended, superseded, revoked, rescinded, or otherwise modified since the date of the Secretary's Certificate and are in full force and effect as of the date hereof;

WHEREAS, the Corporation is the sole shareholder, member, or manager of Merit Transportation, Inc., a South Carolina corporation ("MTI"); Merit Paint Sundries, LLC, a South Carolina limited liability company ("MPS"); Merit Supply Company, LLC, a South Carolina limited liability company ("MSC"); Merit Pro Finishing Tools, LLC, a South Carolina limited liability company ("MPFT"); and Five Star Products, Inc., a Delaware corporation ("FSP");

WHEREAS, FSP is the sole shareholder of Five Star Group, Inc., a Delaware corporation ("FSG"); and

WHEREAS, at a duly held meeting on May 13, 2011, the Board of Directors authorized the filing of petitions for relief under Chapter 11 of Title 11 of the United States Code for the purpose of reorganizing the Corporation, MTI, MPS, MSC, MPFT, FSP, and FSG (collectively, the "Merit Group Entities") or effectuating a sale of the assets of the Merit Group Entities, and further authorized any subsequently necessary or appropriate measures to prosecute such petitions and measures; and

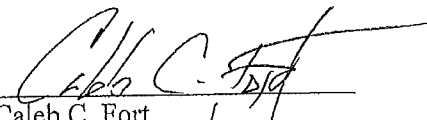
WHEREAS, the Board of Directors finds it necessary for the Merit Group Entities to engage legal counsel, restructuring professionals, accountants, investment bankers, and other professionals to accomplish these objectives.

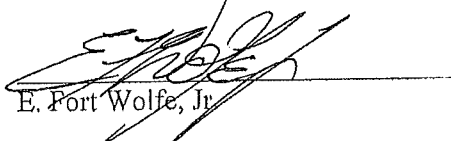
NOW, THEREFORE BE IT RESOLVED, that the Merit Group Entities be, and hereby are, authorized, in order to implement the above resolutions, to retain and employ MCNAIR LAW FIRM, P.A. as legal counsel for each of the Merit Group Entities under a general retainer, to retain and employ ALVAREZ & MARSAL NORTH AMERICA, LLC as restructuring consultants for each of the Merit Group Entities under a general retainer, to retain and employ MORGAN JOSEPH TRIARTISAN LLC as investment bankers for each of the Merit Group Entities pursuant to such terms as agreed between the parties, and to retain and employ such other professionals on behalf of each of the Merit Group Entities as the Chief Executive Officer, President, or Manager of each respective corporate entity shall deem necessary or appropriate; and

RESOLVED, FURTHER, that the Board of Directors, in order to implement the above resolutions, hereby authorizes and directs the officers of the Merit Group Entities, subject to the direction of the Chief Executive Officer, President, or Manager of each of the Merit Group Entities, in the name and on behalf of the each respective corporate entity or otherwise and under the seal of each respective corporate entity or otherwise, to execute and deliver all such agreements, certificates, documents, instruments and notices and to take all other actions and to do all other things as each such officer in his sole discretion may deem necessary or appropriate in order to carry out and effect the foregoing resolutions and actions and hereby ratify and confirms any and all such actions.

The undersigned, by signing this consent, waive notice of the date, time, place and purpose of the special meeting of the Board of Directors of the Corporation and agree to the transaction of the foregoing business of the special meeting by written consent in lieu of such special meeting.

BOARD OF DIRECTORS:


Caleb C. Fort


E. Fort Wolfe, Jr.

Thomas R. Utgard

NOW, THEREFORE BE IT RESOLVED, that the Merit Group Entities be, and hereby are, authorized, in order to implement the above resolutions, to retain and employ MCNAIR LAW FIRM, P.A. as legal counsel for each of the Merit Group Entities under a general retainer, to retain and employ ALVAREZ & MARSAL NORTH AMERICA, LLC as restructuring consultants for each of the Merit Group Entities under a general retainer, to retain and employ MORGAN JOSEPH TRIARTISAN LLC as investment bankers for each of the Merit Group Entities pursuant to such terms as agreed between the parties, and to retain and employ such other professionals on behalf of each of the Merit Group Entities as the Chief Executive Officer, President, or Manager of each respective corporate entity shall deem necessary or appropriate; and

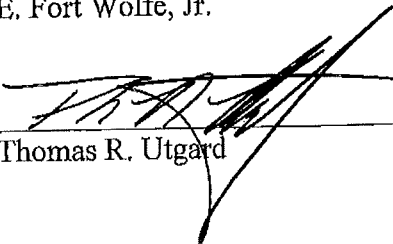
RESOLVED, FURTHER, that the Board of Directors, in order to implement the above resolutions, hereby authorizes and directs the officers of the Merit Group Entities, subject to the direction of the Chief Executive Officer, President, or Manager of each of the Merit Group Entities, in the name and on behalf of the each respective corporate entity or otherwise and under the seal of each respective corporate entity or otherwise, to execute and deliver all such agreements, certificates, documents, instruments and notices and to take all other actions and to do all other things as each such officer in his sole discretion may deem necessary or appropriate in order to carry out and effect the foregoing resolutions and actions and hereby ratify and confirms any and all such actions.

The undersigned, by signing this consent, waive notice of the date, time, place and purpose of the special meeting of the Board of Directors of the Corporation and agree to the transaction of the foregoing business of the special meeting by written consent in lieu of such special meeting.

BOARD OF DIRECTORS:

Caleb C. Fort

E. Fort Wolfe, Jr.



Thomas R. Utgard

UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re:) Chapter 11
)
The Merit Group, Inc., *et al.*,) Case No. 11 - ____
)
Debtors.¹) (Joint Administration Requested)
_____)

STATEMENT PURSUANT TO RULE 2016(B)

The undersigned pursuant to Rule 2016(b), Bankruptcy Rules, states that:

1. The undersigned is the attorney for the Debtors in this case.
2. The compensation paid or agreed to be paid by the Debtors, to the undersigned is:
 - a. Prior to the filing of this statement, Debtors have paid for legal services rendered in contemplation of and in connection with the cases.....\$ 223,668.89
 - b. The unpaid balance due and payable is.....\$ - 0 -
 - c. The undersigned holds a retainer in the amount of.....\$ 117,331.11
3. \$7,273 for the filing fees in these Chapter 11 cases has been paid.
4. The services rendered or to be rendered include the following:
 - a. Analysis of the financial situation, and rendering advice and assistance to the Debtors in determining whether to file a petition under title 11 of the United States Code.
 - b. Preparation and filing of the petition, schedules, statement of financial affairs, first day pleadings and other documents required by the Court.
 - c. Representation of the Debtors at all hearings.
5. All payments came from the Debtors.
6. The undersigned has received no transfer, assignment or pledge of property from the Debtors.
7. The undersigned has not shared or agreed to share with any other entity, other than with members of the undersigned's law firm, any compensation paid or to be paid.

¹The Debtors and the last four digits of their respective tax identification numbers are: The Merit Group, Inc., f/k/a Lancaster Distributing Company, f/k/a Lancaster Paint Sundries, Inc. (4224); Merit Transportation, Inc. (9048); Merit Paint Sundries, LLC d/b/a Lancaster (8882); Merit Supply Company, LLC d/b/a Merit Supply (5878); Merit Pro Finishing Tools, LLC d/b/a Merit Trade Source (8544); Five Star Products, Inc. (9186); and Five Star Group, Inc., d/b/a Lancaster/Five Star, d/b/a Rightway (3506).

Dated: May 16, 2011

Respectfully submitted,

McNAIR LAW FIRM, P.A.

/s/ Michael M. Beal

Michael M. Beal (S.C. Dist. Ct. ID# 1253)

Robin C. Stanton (S.C. Dist. Ct. ID# 7438)

Elizabeth (Lisa) J. Philp (S.C. Dist. Ct. ID# 8033)

Michael H. Weaver (S.C. Dist. Ct. ID# 9847)

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*Proposed Counsel to the Debtors and
Debtors-in-Possession*